

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

IN RE:	§	
	§	
WATSON VALVE SERVICES, INC.,	§	CASE NO. 20-30968
	§	(Chapter 11)
DEBTOR	§	

**OPPOSITION TO PORTIONS OF EMERGENCY MOTION OF THE DEBTOR
FOR AN ORDER (I) APPROVING BID PROCEDURES; (II) AUTHORIZING
THE SALE FREE AND CLEAR OF LIENS, CLAIMS, INTERESTS AND
ENCUMBRANCES TO MOGAS INDUSTRIES, INC. OF CERTAIN ASSETS;
AND (III) GRANTING RELATED RELIEF**

TO THE HONORABLE MARVIN ISGUR
UNITED STATES BANKRUPTCY JUDGE:

COMES NOW, JB Valve, LLC (“JB Valve”), an interested party and bidder for certain assets of the Debtor, would show this Court as follows:

1. JB Valve is a Texas LLC formed to purchase certain of the assets of Watson Valve Services, Inc. (hereafter referred to as “Watson”). A copy of the proposal for purchase of certain Watson assets is attached and incorporated herein as Exhibit “A”. JB Valve’s contract for purchase was delivered to the Debtor on May 15, 2020 and modified per request of Debtor’s representatives on May 18, 2020. On information and belief the Mogas offer was not received by the Debtor until sometime today (May 27, 2020). Noteworthy is the fact that the proposed APA of Mogas is not attached to the Debtor’s emergency pleading. Further, the proposed transaction between the Debtor and Mogas is economically inferior to the offer of JB Valve.

2. Two of the principals of JB Valve are former officers and current shareholders of the Debtor (Robert White and his son, Jason White). It should be noted that on the day JB Valve delivered its contract for the purchase of certain Watson assets, John Watson, the principal

shareholder, Chief Executive Officer, and a beneficiary of the Mogas offer, promptly terminated both Robert White and Jason White.

3. Again on information and belief, Mogas had over the course of this pending bankruptcy been negotiating with John Watson as to a possible sale of certain Watson assets. At one point in time John Watson, without a Board of Directors meeting or Court approval, contracted to sell certain assets of Watson to Mogas for Two Million (\$2,000,000.00) Dollars from which John Watson would have personally received \$1,000,000.00 Dollars from the purchase price he had negotiated on Watson's assets as compensation to him in the form of a non-competition agreement.

From the description now contained in the Debtor's Emergency Motion, Mr. Watson will now receive at least \$100,000.00 per year for the next three (3) years.

JB Valve would note to the Court, the Chinese Contract integral to the Mogas proposal is not an asset sought to be purchased by JB Valve. Therefore, that executory contract is available to Mogas or any other proposed purchaser. A portion of JB Valve's offer included access to the necessary working capital for Watson. JB Valve's only exclusion regarding use of funds was that none of the working capital advancement could be used or employed on the Chinese project. JB Valve requires that such pre-closing advance be treated as a credit on the purchase price. Or if the assets are sold to a party other than JB Valve that such funds become a super priority expense of administration. Further, the JB Valve offer provides no non-compete benefits to John Watson. In fact, the JB Valve offer requests that a representative of the Court appointed existing financial fiduciary be appointed to act as a Chief Restructuring Officer of Watson until JB Valve's purchase of certain Watson assets can be consummated. JB Valve has agreed to advance an additional \$30,000.00 Dollars in excess of its proposed purchase price to pay the approximate cost of a CRO

until closing can be accomplished.

JB Valve has previously demonstrated to Statesman (the Debtor's marketing agent) proof of funds necessary to fund and close JB Valve's purchase.

JB Valve is opposed to the Bid Protection Watson has proposed to benefit Mogas.

JB Valve is opposed to the Bid Procedures conditions detailed in Paragraph 16.

For further response, although the proposed APA is not attached to the Debtor's pleading, JB Valve believes that substantial portions of JB Valve's contract have now been incorporated in the alleged APA bid of Mogas.

Mogas is not entitled to any break up fee in view of Mogas's less than arms length relationship with the Debtor's chief executive officer, John Watson.

JB Valve is prepared to attend and bid on the Watson assets described on Exhibit "A" at an open public auction to be conducted by this Court or by a designee of this Court without the unbridled lack of integrity epitomized by John Watson, the Debtor's present chief executive officer.

WHEREFORE, PREMISES CONSIDERED, JB Valve, LLC requests that this Court enter an order approving a bid procedure acceptable to this Court, deny the Debtor's attempt to prefer Mogas as a preferred bidder/stalking horse; and for any and all further relief as may be equitable and just.

Dated: May 27, 2020

Respectfully submitted,

FUQUA & ASSOCIATES, PC

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COUNSEL FOR JB VALVE, LLC

CERTIFICATE OF CONFERENCE

Counsel for the Movant has conferred by telephone with Debtor's counsel in a good faith effort to reach an agreement regarding the matter which is the subject of Movant's Objection. At this time, settlement is not possible, therefore, a hearing will be required.

/s/ Richard L. Fuqua
Richard L. Fuqua

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Objection was served upon the parties listed below and to all parties registered to receive notice via CM/ECF on this 27th day of May, 2020.

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